The Future Of Food: 28 ideas, trends and businesses that are changing how-and what-we eat

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FULL TEXT

Even when every other industry's future can appear murky, one thing remains clear: The world's gotta eat. The question is, what are you going to put on your plate?

MEAT WILL GROW IN LABS, NOT FIELDS When the revolution finally comes to a grocery store near you-in five to 10 years, if test-tube meat proponents are to be believed-it won't be a big juicy steak you'll be sinking your teeth into. The food of the future-meat raised in industrial labs instead of on a farm-will make its debut in the decidedly less epicurean form of chicken nuggets and sausages.

Researchers know how to "grow" meat now, says Jason Matheny, co-founder of New Harvest, a non-profit group in the U.S. that promotes research into in vitro meat. The problem is cost: Producing those chicken nuggets using current technology could cost $20,000-plus a kilo.

How to bring the price down to what a consumer would spend? Matheny says the solution lies in fixing the "soup"-a broth of nutrients that acts as a growth medium by stimulating starter cells (harvested from animals) to grow. Researchers are working on finding a replacement for the very pricey fetal bovine serum, the soup's prime ingredient. "If the recipe can be nailed down, then the five- to 10-year timeline is definitely within reach," Matheny says. That may be the toughest hurdle, but it's certainly not the only one. While scientists can grow meat in the lab in tiny batches, technology does not yet exist to do so on an industrial, mass-market level.

Nevertheless, even skeptics like Dr. Peter Purslow, professor of food science at the University of Guelph in Guelph, Ontario, are impressed by the "spectacular" progress made by researchers of in vitro meat. But he remains unconvinced by Matheny's optimistic time frame, likening his ambition to that of proponents of manned space flights to Mars: "They have the ambition and the vision and a pretty deep understanding of the technical feasibility of how to get there, but the reality is the timeline is still very long."

Purslow says the greatest challenge for researchers will be to replicate the meat-eating experience, which isn't just taste but also texture-"the juices and how meat breaks down in the mouth." Take the example of a great steak: It may have the same proteins as lesser cuts, "but the texture, the perceived eating experience, is completely different," he says.

That is precisely the reason why experts believe chicken nuggets and sausages will be the first in vitro meats in grocery stores: Because producing them requires processing as well as mixing in spices and additives, it will be easier to get the texture and taste right. And given that Canadians eat about $120 million worth of frozen chicken nuggets each year, that's not a bad market to tap. Consumers will have to wait a lot longer for their test-tube filet mignon.

FISH FARMS IN CONDOS An abandoned inner-city warehouse is probably the least likely place you'd choose to set up a fish farm, but Dr. Yonathan Zohar insists it is possible. And not just any fish farm: a saltwater system that produces high-end fish like gilthead sea bream, a European delicacy that is becoming scarce in the wild and is priced accordingly, at $10 to $20 a kilo.

Zohar has spent almost 20 years developing such a system in his basement lab in Baltimore, where he works at the University of Maryland Biotechnology Institute. He says he has built a better fish farm-one that's self-contained and recirculating (which means it does not need a natural water source nearby for top-ups or waste discharges), not to mention environmentally friendly and financially viable.

His final challenge, which may be the toughest, is to find a commercial partner that will use the technology and create a facility to mass-produce fish. The centre has drawn up a business model that envisions a $4-million (U.S.) investment for a

warehouse and equipment that can produce about 180,000 kg of sea bream annually. Zohar says the system could be built "anywhere-in urban communities, rural communities, whether it's the Midwest, near an airport or in any inner city."

In Canada, fish farms are big business, with the aquaculture industry reporting record revenues of $753 million in 2005, the most recent Statistics Canada figures available. More than two-thirds of that production involves salmon. What Zohar is proposing-an enclosed saltwater system made for mass production-is "very rare," says Christopher Pearce, a research scientist in Nanaimo, B.C., who is also president of the Aquaculture Association of Canada.

The industry has been plagued in the past by environmental concerns, as when farmed fish escaped pens and mated with fish in the wild, and when fish waste, viruses and bacteria ended up in oceans and waterways. Zohar's system has an answer for every concern: The enclosed system won't allow fish to escape; computerized diagnostic tools monitor for viruses and bacteria levels; and fish waste is processed and recycled by adding microbes. The sludge that's removed from tanks can be converted to methane.

Zohar sighs when he acknowledges his system "sounds too good to be true" and cites it as the main reason why, after close to two years of trying, the university has yet to secure a commercial partner. His investor, he says, will need to be "a bit of a visionary." Those, apparently, are very hard to find.

SOY WILL BE OUR BREAD AND BUTTER (AND EVERYTHING ELSE) Quick: Name a product made with soybeans. Better yet, name a few dozen-it's easier than you think. These versatile legumes, which can be used to make oil, flour, protein and animal feed, have become an essential element of the processed food industry. Soy-based additives are used as stabilizers, starches, thickeners, emulsifiers and bulking agents-and incorporated into a broad range of non-food items, from hair conditioners to paint strippers. Between 2000 and the end of 2005, manufacturers in the United States offered more than 2,100 new foods with soy as an ingredient-averaging about 350 new products annually. The rise of the soybean is a postwar phenomenon, and global production has grown almost three times as quickly as wheat since the early 1960s. While the U.S., Argentina, Brazil, China and India produced most of the 222 million tonnes harvested worldwide in 2006, Canada ranks seventh in terms of global production. Between 1961 and 2006, Canadian production of the legume has grown from 180,000 tonnes annually to about 3.5 million tonnes-a 19-fold increase that truly reflects the mighty bean's versatility.

PORT BELLY FUTURES WILL BECOME PASSE Back in 1983, the hundreds of yelling, arm-waving traders in the pork bellies futures trading pit at the Chicago Mercantile Exchange were featured in the Dan Aykroyd-Eddie Murphy comedy Trading Places. These days, you'd be lucky to find half a dozen of them there. "Nobody watches bellies any more," says Mark Ferguson, policy analyst at Sask Pork, the industry association for Saskatchewan hog farmers.

The exchange plans to close the pit next May and shift pork bellies, along with several other commodities, to entirely electronic trading. Why has almost everyone lost interest? "It's kind of a chicken-and-egg question," says David Ward, senior risk manager at Chicago-based Commodity & Ingredient Hedging LLC.

Contracts that guarantee farmers a future delivery price have been around for hundreds of years-and any time you have futures contracts, you also have speculators who deal in them purely as financial instruments. The Merc opened its pork bellies pit in 1961, and they were soon the first commodity to trade more than one million contracts a year. Frozen bellies are used for "streaky" or American-style bacon, which surged in popularity following the Second World War. "Just a ton of money flowed into the market," says Ward.

But since the 1980s, pork processors and other major buyers, including fast food chains, have demanded more fresh product, so trading action has shifted to the fresh, lean whole-hog futures pit. Commodities funds, and mutual funds that use commodities to help hedge against inflation, recently included lean hogs as well. "Everything but the squeal" has a value, says an old industry joke. And maybe those will eventually trade on carbon dioxide emissions markets.

THINGS WILL BE WORTH THEIR WEIGHT IN WHEAT (UNTIL NEXT SEASON) This fall, Canadian farmers are planting what they hope will be a record wheat crop, to take advantage of a recent surge in price. The Canadian Wheat Board set wheat at $294 per tonne in September-a $95 increase over the previous year. So, what's feeding the price of wheat? And why aren't farmers getting richer?

Global demand Blame consumers in China and India for higher bread prices. Burgeoning middle classes in growing Asian economies are expected to buy more meat and dairy products, accelerating demand for grain. In India, wheat imports are forecast to hit a record 6.3 million tonnes in 2006-'07. Global wheat stockpiles are now at a 30-year low.

Weather During the 2006-'07 growing season, Canada was the only one of the big five wheat-producing regions largely spared from devastating weather. French, German and British yields were damaged by too much rain, and in Russia and Ukraine, crops withered from the heat and drought. Heavy rainfall in the U.S. reduced harvests, while a catastrophic spring drought in New South Wales-Australia's breadbasket-ravaged cereal crops. In Argentina, drought and low winter temperatures reduced plantings.

Competition from other crops Canada contributed to the global wheat shortfall because farmers, attracted by strong prices, switched to other crops. In 2007, Canadians seeded 10% less wheat, but 12% more canola and 19% more barley.

Farm inputs Prices are up, but so are farm costs. Diesel fuel and fertilizer costs rose 35% between 2001 and 2006, according to Statistics Canada, and have continued to climb, while pesticide expenses rose 19% over the same period.

Rising Canadian dollar The loonie's skyrocketing performance against the greenback hit farmers adversely because wheat trades in U.S. dollars. The Canadian dollar's rise to near parity in late summer meant 15% lower returns over the previous six months alone.

EVERYONE WILL WANT FRIES WITH THAT McCain Foods knows its spuds. The 50-year-old company, based in Florenceville, New Brunswick, produces almost one-third of the world's frozen French fries and commands an army of agronomists, engineers and potato specialists in more than 110 countries, including Brazil, Poland, China and South Africa. Its quest? To develop the perfect potato-but not just one or two varieties for the global market. McCain's strategy is to identify the ideal spud for each country it operates in. Take India. When McCain first started poking around the country in 1995, farmers there were primarily growing a single variety of potato that just wouldn't do for the company's frozen French fries and wedges-spuds for processing must be larger, denser and contain less moisture than plain old table-variety taters. Besides, the average yield was just seven tonnes per acre. Indian reports say that McCain's scientists tested 13 varieties of potato in several regions across India before settling on the sandy soil of northern Gujarat and three varieties: the local Kufri Chandramukhi and two imports, the Kennebec and the Shepody. With help from McCain's experts, farmers also replaced old-fashioned flood irrigation-a major water-waster-with drip irrigation. The average yield in McCain's fields is now 110% above the Indian average. In 2006, McCain flipped the switch on a $18-million (U.S.) plant in Gujarat that can process 30 million tonnes of potatoes a year. McDonald's, for one, is sold on McCain's new potatoes-the fast food giant uses the spuds in its Indian specialty, Chatpatey potato wedges.

WE'LL COUNT CARBON, NOT CALORIES Remember those halcyon days when we knew nothing of trans fats in potato chips or the sugar count of our Cocoa Puffs? Now there's another issue to agonize over as you scour the back of the cereal box: carbon footprints.

Consumers in the U.K. are already eating carbon-quantified crisps, thanks to a new pilot project aimed at assessing the total greenhouse gas (GHG) emissions of a grocery item, from raw material production and manufacturing through to distribution and disposal. The results appear on product labels, and companies that submit a product commit to a "reduce it or lose it" clause that requires them to decrease the item's GHG count within two years. The Carbon Trust, the private consultancy that runs the program (funded by the British government to the tune of £100 million), rolled out the first set of labels in March. Walkers Cheese and Onion Crisps bear a respectable footprint of 75 grams of GHGs.

Walkers, a PepsiCo company, has since agreed to assign labels to all its chips, but the numbers won't mean much to consumers until more companies sign up for the program. As of late September, about a dozen more had joined the program, among them Cadbury Schweppes and Coca-Cola, which should give the project some legs. Meanwhile, Tesco, the U.K.'s largest grocery chain, has announced its own plans to develop carbon-counting labels.

The challenge, of course, is to develop standards that are meaningful-easy for the consumer to understand, rigorous enough to endure scrutiny and universal enough to apply to thousands of different products. As the program stands right now, the science isn't exact: Transportation estimates can vary widely depending on whether an item is sold and consumed in London or in Inverness, so Carbon Trust has opted to calculate an average distance travelled from packaging plant to supermarket.

Here in North America, we've been slower to jump on the carbon bandwagon, even though a recent study shows that nearly 50% of consumers are willing to pay a 10% to 30% premium for food from supply chains that emit half as much greenhouse gas as conventional chains. The North American organization that may have the most comprehensive certification program

to date is based in Toronto. Though Local Food Plus doesn't publish GHG emissions on its labels, certified farmers and processors must adhere to strict standards for low-impact production methods. LFP goes even one step further: It also evaluates labour practices. This may be the closest we'll get to guilt-free potato chips.

SAY GOODBYE TO SEASONAL FOODS (EXCEPT THIS ONE) To everything there is a season, or so goes the Old Testament line. Pity the author, who obviously never savoured a succulent raspberry in December or a sweet parsnip in June. A couple of millenniums on, the average supermarket produce section barely changes with the seasons. So where can the devoted foodie find a truly seasonal experience these days? Try the cookie aisle.

Aficionados of Nabisco Mallomars, a marshmallow-filled treat produced at the cookie manufacturer's factory in Toronto, know they can't expect to find their favourite confection year-round. Because sweltering summers pose a melting hazard to the cookie's delicate chocolate skin, they are produced only between September and March. In the metropolitan New York area, where 70% of Mallomars are sold, fans have been known to horde cases in anticipation of summer shortages.

Since debuting in 1913, the Mallomar has become a cultural icon. In When Harry Met Sally, Billy Crystal's character called them "the best cookies in the world," and Tony Soprano once threatened to whack an underling over a stolen box. But don't try looking for them in Canadian stores-demand is so great in the U.S., Nabisco doesn't sell them north of the border. Competitors such as Mr. Christie's sell similar creations, but connoisseurs insist they don't compare.

HALAL HAPPY MEALS? The figures are impressive: There are about 800,000 Muslims in Canada-a number that's expected to jump to roughly 1.2 million by the end of the decade. And the market for halal meat-which is prepared and killed according to Islamic law-is already worth more than $214 million a year. Yet when it comes to eating out, it's slim pickings for observant Muslims. Those looking for a quick bite are relegated to either small ethnic restaurants or a rather incongruous option: fried chicken, southern style.

Popeyes Chicken & Seafood has been serving halal meat at its more than 30 Canadian outlets-all of them in the Toronto area-for well over a decade. Head office in Atlanta is reluctant to talk about it, however, and the company doesn't promote the fact in its corporate advertising. Thanks solely to word of mouth, the chain-which had revenues of $153 million (U.S.) in 2006-has a dedicated following in the community. One Toronto franchisee says sales take a downturn during the month of Ramadan, when Muslims fast from sun-up to sunset.

Dixy Chicken, meanwhile, is all halal and proud of it. The chain was started by British entrepreneurs Amjad Ali and Abid Mahmood in 1986, and so far it has more than 100 fried-chicken franchises in the U.K., along with a few in Norway, India, Syria and Brunei. It's moving into the U.S. this year. No plans have been announced for Canada, although it's safe to assume Muslim Canadians would embrace some new options. In 2005, the government of Alberta surveyed Muslims across the country, in search of new markets for the province's beef farmers. Three-quarters of respondents said they'd eat out more often if more restaurants put halal options on the menu. The problem, says Omar Subedar, spokesman for the Toronto-based Halal Monitoring Authority, is that it's easy to slap the word "halal" on your restaurant's sign without actually living up to the designation. "There's huge demand for halal," says Subedar, "but it's expensive, and there's not enough supply-not exactly music to franchisees' ears." There's even talk that Popeyes isn't truly halal these days. Still, Subedar has good news for Muslim diners: A foreign-owned halal chain is now looking at the Canadian market. He wouldn't give specifics, but it's a good guess there'll be fried chicken somewhere on the menu.

AND YELLOW MARGARINE FOR ALL, BIEN SÛR! Quebec is a distinct society-even in matters of margarine. Buy it anywhere else in North America and it's coloured yellow. But not in La Belle Province, where a robust dairy lobby has succeeded in preventing margarine producers from selling yellow product, lest customers confuse the water-and-oil emulsion with butter.

The two-decade-old battle between the Quebec government and margarine manufacturers-notably food conglomerate Unilever-has produced some dramatic moments, including Unilever's defiant dumping, in 1997, of almost 500 containers of coloured margarine at a Quebec grocery store. And it isn't over yet. Vegetable oil producers, who say the regulation costs them $30 million in production expenses and lost sales annually, have adopted a new strategy in their fight to standardize the regulatory environment.

An industry group representing some 85,000 canola growers in Western Canada, as well as vegetable oil producers such as Unilever and the Archer Daniels Midland Co., has teamed up with organizations that include the Canadian Chamber of

Commerce and the Canadian Council of Chief Executives, to lobby Ottawa and the provinces to ban all interprovincial trade barriers.

Their plan? To argue that the very idea of federalism is at risk because of cross-country variations in everything from accountant qualifications to securities regulations-and, of course, the colour of margarine.

WE'LL EAT MORE FROZEN FOOD (JUST ASK JULIE TER WOORT) I started as a product developer at President's Choice 15 years ago. Dave Nichol interviewed me for the job. There are 14 of us. I worked in hors d'oeuvres and boxed meats for a couple of years, and deli. But for eight years I've been in frozen grocery, building up the frozen entrees segment. For my area, restaurant quality is the number-one goal. Consumers are spending more and more money on restaurant takeout. How do we tap into that? So, especially with some of our single-serve items, we're really pushing for premium ingredients and pushing the flavours-we're trying to make them as authentic as we can.

We get ideas from all over. I've been to Italy to learn about regional Italian cooking, and to Valencia, in Spain, to investigate paella. And then, from that trip, they wanted me to investigate cassoulet, so I went to Paris. We have group tastings every day. They can last two hours-you're tasting anything from mayonnaise to chocolate to canned tomatoes.

Going back over the years, I'd say I've developed well over 500 items. I've done some of the holy grails: The biggest one is butter chicken. We did a three-day trip to London and picked up about 45 frozen butter chicken entrees. Retailers in the U.K. have had Indian entrees for years-we wanted to know, what are they doing right? We rented an apartment for the day. We had the microwave in high gear; we had the oven going. We were looking at the dishes, the packaging, the photography, the ingredients. And we literally cooked and ate our way through 45 items. President's Choice butter chicken was a category transformer. It's our No. 1 entree-it outsells single-serve lasagna. It took us by storm. But I don't think that apartment will ever smell the same.

EVERY GOOD COOK WILL NEED A PETRI DISH Electric milk, chicken liquid croquettes, mango sorbet sandwiches.... Once upon a time, adventurous gourmands had to make a pilgrimage to El Bulli restaurant near Barcelona to experience the culinary revolution known as molecular gastronomy. But now, ambitious home chefs can follow in the footsteps of pioneering chef Ferran Adria, who has launched a line of cooking ingredients that wouldn't look out of place in a science lab. No dish captures the "How'd they do that?" magic of molecular gastronomy better than spheres of flavourful liquid-pea purées and coffee work nicely-made solid by mixing them with sodium alginate gel and immersing the combination in a calcium chloride water bath. Texturas, Adria's retail arm, distributes the necessary ingredients and recipes in slick packages with names like Algin and Calcic (prices range from about $35 to $95 U.S.), inviting daring home chefs to try their hand at kitchen alchemy. U.S.-based distributors LEpicerie.com and Willpowder.net have also begun selling their own branded lines of gelling agents and emulsifiers. Products range from about $6 to $15 (U.S.)-for a supply that would last most home chefs many years.

YOU'LL HAVE ANOTHER REASON TO AVOID LEFTOVERS Since the dawn of the American Revolution, U.S. troops have treated meal rations with a measure of suspicion, unsure whether the plat du jour would be plain old mystery meat or mystery meat à la botulism. Soon, however, GIs can save themselves the gustatory horrors of taste-test roulette with an innovation cooked up by a Canadian biotech firm.

Founded in 1999, Toronto-based Toxin Alert Inc. has pioneered a food wrap that will take the guesswork out of questionable military rations and fridge leftovers alike. For a penny per square foot, Toxin Alert can imprint flexible polymer wrap with a stamp that indicates when food goes bad. When pathogens start infesting aging chow, antibodies in the stamp begin attacking them, leaving behind a clearly visible "X."

While the U.S. Army may be the first to test the technology-through two research-and-development contracts with Toxin Alert-the real potential lies in grocery stores and kitchen pantries. The U.S. alone unrolls some 45 billion square metres of plastic wrap a year-nearly enough to cover a casserole the size of Nova Scotia. And with the recent glut of E. coli outbreaks, Toxin Alert president William Bodenhamer is betting that his company's innovation is just what the food industry needs. "With a product like ours, you could forget about all that bad spinach," says Bodenhamer. "And if you're a bachelor like me, you've probably got more than a few science projects sitting in the back of the fridge that could benefit from this."

The potential is there, but, so far, the investors are not. Toxin Alert's initial public offering in 2000 garnered $4 million. Since then, the company has only attracted an additional $2.5 million. "The food industry is very conservative," says

Bodenhamer. "Nobody seems to want to make the first move on this."

Menus will choose food for you The whole menu looks pretty good. You might go with the roasted pork chop, or maybe the house-cured sockeye salmon gravlax. Yet those $17 steamed mussels with chipotle, lime juice and coconut milk just kind of jump out at you, don't they? Is it because you're in the mood for mussels right now? Maybe. But your hankering is more likely a result of where those mussels appear on the menu or the fact that the beef carpaccio right above them costs $19. You may even be drawn to them because they're not described as "fresh."

One thing is certain, though: Your choice is being affected by the subtle science of menu engineering. "Whether it's a one-page menu, a two-page menu or a tri-fold, your eyes are drawn to certain places automatically," says Norm Myshok, chair of the Canadian Culinary Institute. When you look at a one-page menu, the sweet spot (called "prime space," in the industry) is about a third of the way down the page. On a two-page menu, it's within the top third of the second page.

Myshok, who teaches courses in menu writing and planning, says presentation on the page plays a role, too. Menu writers consider vocabulary, punctuation and capitalization and examine how dishes were itemized by legendary chefs, such as the French gourmand Escoffier, or by cooks who prepare meals for heads of state. If Louis XIV liked his Canard à l'Orange served in upper case, Myshok and his colleagues figure you will too.

Certain words-including "fresh"-should be avoided, he says. "Everything must be assumed to be fresh." And he says that "drizzling" is out, although "drizzles" are still fine. "You can't have something drizzled with balsamic vinegar, but you can have a balsamic drizzle," he says. It's a fine line between fashion and cliché, of course, but in an industry with an across-the-board average profitability of 14.5% (that includes fast food), staying on the right side of the line can mean the difference between hanging up your checkered pants and living to cook another day.

One technique that helps some restaurateurs keep prices where they want them is relative pricing-the principle that there's nothing like a $15 glass of wine to make a $12 glass seem like a deal. Vancouver restaurant consultant Denis Catroun calls it the foot-in-the-door technique. "That's how the B.C. government got us to buy gas at $1.07," he says wryly. "They asked us to buy it at $1.30 first."

ALL FAST FOOD CHAINS WILL LOOK THIS GOOD For suburban Toronto, the restaurant at Parkway Mall feels surprisingly chic: chocolate-brown chairs with swooping, Modernist lines, recessed lighting and booths decorated with a subtle fabric. But what's really surprising is the name on the façade: McDonald's.

Yes, good design is landing under the Golden Arches. This Scarborough location is one of dozens across the country that's already gotten a makeover-part of a worldwide reimaging effort by the company, and a broader trend among fast food chains eager to draw younger diners with something more than fluorescent lights and hard benches.

In Canada, the redesign-which also includes amenities aimed at encouraging customers to stay longer, such as flat-screen TVs, WiFi connections and club chairs-is in the early stages: But by the end of this year, 150 of the chain's more than 1,400 outlets will boast the new look. But in markets in which the makeover has progressed further, the results are impressive. In Europe, where more than 1,200 locations will be redone by year's end, the redesign has contributed to a 15% sales increase in the first half of 2007. In the U.S., where 6,000 restaurants have been transformed since 2005, McDonald's Corp. has seen substantial sales growth this year-and bumped up its annual dividend from 67 cents (U.S.) per share to a dollar in 2006, then up to $1.50 in 2007.

Analyst Larry Miller of RBC Capital Markets says the new ambience has played a crucial role in the turnaround. "It certainly helps sales," he says, "but it also lifts the entire brand perception and gives them credibility to sell better products."

McDonald's isn't the only company in the sector to recognize the power of design. Since 2006, Dunkin' Donuts has been testing a more welcoming design in four U.S. cities. And Yum Brands Inc.-the American behemoth that controls Taco Bell, Pizza Hut and KFC-is testing a lofty new model for KFC, featuring large windows, communal tables and knock-offs of Emeco's aluminum Navy chairs.

The common thread is what might be called the Starbucksification of fast food: Just as the Seattle chain brought a higher quality of experience to North American coffee shops, the fast food giants-facing declining demand for cheap and greasy meals-are trying to expand their reach. McDonald's new design helps it compete with "fast casual" family restaurants like Kelsey's and Montana's, while also appealing to the kid-free, 18-to-34 demographic, who appreciate good design.

Still, the burger chain is careful not to talk about going upscale. "You can still get that Big Mac you're craving," says

McDonald's Canada vice-president Barry Desclouds. "But you get it in a new and exciting place."
COFFEE AS PRICEY AS CAVIAR And you thought Starbucks was expensive. Caffè Artigiano in Vancouver offered a cup of coffee last spring that reset the bar for a shot of joe. The downtown coffee house sold eight-ounce cups of Hacienda la Esmeralda Especial, a rare Panamanian variety that won the 2007 Roasters Guild Cupping competition, for $15. Purchased in an online auction for a record $130 (U.S.) a pound, the coffee is said to boast delicate hints of orange blossom and jasmine. If the price sounds excessive, it may simply be an indication of the new normal: Manic Coffee in Toronto offered a limited run of $15 Esmeralda this fall. Matt Lee, who runs the shop, says java drinkers have become more sophisticated. "People are used to paying $7 or $8 a glass for wine, and when you think about the labour involved in making coffee, we can bring it up to that level, too."
BIG BRANS WILL DOMINATE WINE (JUST ASK JAVIER SANTOS)* One big opportunity that exists for wine is brand-building. If you look at any other major beverage industry or category, it's dominated by a few brands. But with wine, we have hundreds of brands, so consumers need to always try different things. Most everyday consumers want some certainty-the traditional concept that a product is guaranteed by a firm, by a name, by a label. That's the wonderful thing about Yellowtail, which is our largest brand. We just had the rosé from Yellowtail-rosé is an emerging category-and that product started selling like crazy because of the brand. A lot of consumers are trusting in Yellowtail, and we're using that to expose them to new concepts, like sparkling wine. It's traditionally consumed on special occasions, but you don't have to buy champagne to drink sparkling-there are $12 and $13 sparkling wines out there. And rosé is another example. So that's the power of brands, and we want to harness that. As for other winemakers, I think we've seen great things coming from Gallo-we just tried their new Barefoot wines. Gallo says it's the next Yellowtail. I wish it were-we need another brand like that.
BORDEAUX WILL OFFER BETTER RETURNS THAN THE BANKS Andrew Davison manages the London-based Vintage Wine Fund, which has a net asset value of €115 million. Total return on shares has been more than 90% since 2003. Mark Schatzker talks to him about what investors get for a minimum investment of €250,000. If someone wants to invest in wine, why not just buy cases and store it in the basement? You won't be able to sell it, for one, because it has to be kept in professional storage in a bonded warehouse. As a private investor, though, your main problems are access to the wine and retail margins. Purchasing wine directly from the growers is not easy, and if you buy it from merchants, you're going to be spending an extra 20%. And it happens all over again when you try and sell it.
How many actual bottles are in your fund? Three hundred and sixty thousand. It all sits in a warehouse in the south of England, in an underground mine that was used to store munitions during World War II, so security is rather easy.
How do wine funds compare to other investments? The first thing is that there is extremely low volatility. Wine has a unique dynamic in that it gets consumed and so gets scarcer over time. It also improves in quality over time. That's a good start for any asset class. Over the last 25 years, the top end of the Bordeaux market has averaged in excess of 12% per year after costs have been factored in. The very top end has almost doubled over the last 12 months.
So what are the risks? The risk is liquidity. It's extremely difficult to sell wine when you have to. If you give me three months, I can find customers. But if you have to sell it today, you can end up getting a poor price.
What wines do you invest in? Mainly Bordeaux. There's a minor amount of Burgundy, but the quantities produced there are so small it becomes difficult to value the wine. There's a little bit of top-end Rhone and some Champagne, too.
What about other notoriously pricey Old World reds, like Amarones or Barolos? Absolutely not. To sell top-end Barolos, you'd need a whole sales force. It's the same with mid-range Rhones. No other wine has the same appeal to the brand-conscious wealthy investor as Bordeaux.
Have you ever considered Canadian wines? I'll have to plead total ignorance. I couldn't name a single one. It would be tricky to move a line of Canadian wines without making a lot of calls and giving people a story.

DETAILS

Subject:	Aquaculture; Agriculture; Futures; Food; Commodities; Consumers; Wheat; Farms; Researchers

Location:	Chicago Illinois; United States--US; Canada; India; China
Publication title:	The Globe and Mail (Online); Toronto
Publication year:	2007
Publication date:	Oct 25, 2007
Publisher:	The Globe and Mail
Place of publication:	Toronto
Country of publication:	Canada
Publication subject:	General Interest Periodicals--Canada
Source type:	Blog, Podcast, or Website
Language of publication:	English
Document type:	News
ProQuest document ID:	2386082064
Document URL:	https://www.proquest.com/canadiannews/blogs-podcasts-websites/future-food-28-ideas-trends-businesses-that-are/docview/2386082064/sem-2?accountid=14656
Copyright:	Copyright The Globe and Mail Oct 25, 2007
Last updated:	2020-04-05
Database:	Canadian Newsstream Collection

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